The Semi-Autonomous Revenue Authority: A Governance Solution for Domestic Resource Mobilization

International Consortium for Government Financial Management
Washington, DC. December 2017

Mark Gallagher, Public Finance and Macroeconomics LLC
Intro - Problem statement

- Many LDC tax administrations performed poorly
- There was corruption
- Mismanagement
- Lack of compliance and enforcement
- Low revenue yields
Root cause - Governance

- Poor incentives
  - Opportunities for corruption were overwhelming
  - Salaries of taxmen were poor compared to opportunities
- Poor accountability and transparency
  - Firing government officials was often out of the question
- Problem is governance
Governance of SARAs

- Head selected in transparent manner, granted degree of freedom in line with responsibility, reports to external board of directors
- Budget independence (usually based on a formula)
- Resides outside civil service system
  - Better salaries and conditions
  - Freedom to hire and fire
- Clear performance indicators
By 1988, institutional autonomy had gained ground as a reform model of choice, as exemplified in Peru’s creation of a National Superintendence of Tax Administration (SUNAT).
Review of the Record

- In most cases, led to improved revenue performance
- But usually accompanied by other modernization
- External political or corrupting pressures
- Often slipped back into low performance
- Let’s talk cases
SARA performance tendencies

Average SARA Revenue Performance
Year 0 = SARA law enactment
Experiences are more diverse

Tax-to-GDP Index
Year 0 = SARA law enactment
Bolivia, Mexico, Peru, and Venezuela

u Early reformers
u Each eventually saw their autonomy under siege
  u Sometimes the Minister of Finance wanted to reign in
u Bolivia’s SARA was dismantled - was only a pilot
u Peru’s SUNAT withstood pressures thanks to private sector support
Guatemala SAT

Guatemala 98
Tax-to-GDP ratio

Prep
takeoff
Portillo
Berger/Roca
GFC
Perez/La Linea
Governance measures for a Durable SARA

- **External**
  - Support Supreme Audit Agency
  - Support Anti-Corruption Agency
  - Taxpayer ombudsman
  - National Taxpayers Association/Private Sector Watchdog

- **Internal**
  - Internal audit and controls
  - Transparency and accountability
  - Internal ombudsman, appeals, and hotlines
Contact

Mark Gallagher
Gallagher.pfm@outlook.com